

BIRMINGHAM CITY COUNCIL

**FINANCE AND RESOURCES O&S COMMITTEE – PUBLIC
MEETING**

**0900 hours on Friday 29 September 2023, Committee Rooms 3&4, Council
House
Minutes**

Present:

Councillor Jack Deakin (Chair)

Councillors: Raqeeb Aziz, Rashad Mahmood, Paul Tilsley and Ken Wood

Also Present:

Councillor Sir Albert Bore (Online)

Timothy Bell, Financial Advisor (S151 Chief of Staff) (Online)

Janie Berry, City Solicitor and Monitoring Officer

Fiona Bottrill, Senior Overview and Scrutiny Manager

Jayne Bowles, Scrutiny Officer

Deborah Cadman, Chief Executive

Fiona Greenway, Interim Director of Finance (S151 Officer)

Mohammed Sajid, Interim Head of Financial Strategy

Peter Sebastian, Head of Financial Planning (Online)

1. NOTICE OF RECORDING/WEBCAST

The Chair advised that this meeting would be webcast for live or subsequent broadcast via the Council's Public-I microsite and that members of the press/public may record and take photographs except where there were confidential or exempt items.

2. APOLOGIES

Apologies were received from Councillors Alex Aitken, Meirion Jenkins and Hendrina Quinnen.

3. DECLARATIONS OF INTERESTS

Members were reminded they must declare all relevant pecuniary and other registerable interests arising from any business to be discussed at this meeting.

The following non-pecuniary interests were declared:

Councillor Raqeeb Aziz - member of Unite Union.

Councillor Rashad Mahmood – member of Unite Union.

Councillor Paul Tilsley – Non-Executive Director of Birmingham Airport.

Councillor Ken Wood – Non-Executive Director of Acivico.

4. EQUAL PAY LIABILITY AND JOB EVALUATION

Deborah Cadman, Chief Executive, and Janie Berry, City Solicitor and Monitoring Officer, were in attendance for this item. Apologies were received on behalf of Darren Hockaday, Acting Director of People and Corporate Services, who was unable to attend.

The Chair began by acknowledging recent developments and highlighted the following key points:

- Since the last meeting of the Committee, a second Section 114 notice and a Section 5 notice had been issued and City Council has considered the initial Section 114 Notice.
- The details of Government Intervention were still to be announced.

Deborah Cadman, Chief Executive, and Janie Berry, City Solicitor and Monitoring Officer provided a verbal update on Equal Pay and Job Evaluation and in doing so the following points were made:

- The reasons for the Section 5 notice under the Local Government and Housing Act 1989, which triggered the second Section 114 notice issued under Section 114(2) were explained and that there would be an Extraordinary Meeting of Full Council to formally receive and respond to those reports on or before 12 October.
- Until this meeting had taken place decisions in respect of Job Evaluation and Equal Pay would be suspended.
- The Committee was assured that from a legal perspective the Council was still proactively working on defending the claims issued against it between Autumn 2022 and April 2023.
- The Council's approach was to make every attempt to stem the liability and ensure equality across the Council.

During the discussion, and in response to Members' questions, the following were among the main points made:

- It would be for Full Council to make a decision on the Job Evaluation methodology as, under the Responsibilities and Functions Regulations, anything relating to HR and terms and conditions was a Council function, not an Executive function. Ordinarily, that responsibility was delegated to Council

Business Management Committee (CBMC). Full Council could choose to either make the decision or delegate this function.

- The decision being potentially further delayed by the issuing of the Section 5 notice was questioned. The Committee was informed that it could have been debated at the meeting held on 25 September but that would have been short notice.
- Concerns were raised regarding Full Council making the decision as that would be a debate between Members with no opportunity to have a full discussion, ask questions of officers and reach political consensus.
- It was queried whether the delays would jeopardise the target date of April 2025 and the Committee was informed that the methodology that the Council decides on had to allow for that target to be reached.
- In response to a question about the accuracy of the potential Equal Pay liability had been assessed correctly, the Committee was informed that one of the top four modellers in the country had worked on the model and it would be reviewed by External Audit.
- It was confirmed that as at 31 March 2023, all employees and all former employees who had left the Council in the previous six months, were included in the modelling.
- The Chair queried what the current status of Task and Finish was. The Chief Executive advised the Committee that they would need to move into private session to discuss this matter.

At this point, in accordance with Schedule 12A of the Local Government Act 1972, the Chair put forward a motion, and it was agreed by the Committee, to exclude the press and public and move into private session for the subsequent discussion on Item 4, Equal Pay and Job Evaluation.

RESOLVED:

That members of the press and public be excluded from the meeting for the exempt discussion under the Equal Pay and Job Evaluation item under Section 100A(4) of the Local Government Act 1972 on the grounds that: (i) it involved the likely disclosure of exempt information as defined under paragraphs 3, 4 and 5 of Part 1 of Schedule 12A of the Act; and (ii) the public interest in maintaining the exemption outweighed the public interest in disclosing the information

The Committee moved into private session for the subsequent discussion on Equal Pay and Job Evaluation.

RESOLVED:

That the verbal update be noted.

5. COUNCIL RESPONSE TO SECTION 114 NOTICE AND FINANCIAL RECOVERY PLAN

Deborah Cadman, Chief Executive, Fiona Greenway, Interim Director of Finance (S151 Officer), and Mohammed Sajid, Interim Head of Financial Strategy, were in attendance for this item.

Fiona Greenway updated the Committee on the Council Response to the Section 114 Notice and highlighted the following points:

- The Section 114 notice had been accepted by Full Council at its meeting on 25 September.
- The reason the notice had been issued on 5 September was due to the Council potentially moving into a negative General Fund position due to the Equal Pay claims and there were not enough resources to correct that in the 2020/21 and 2021/22 accounts.
- There was an Equal Pay liability of between £650m and £760m, an in-year budget gap for 2023/24 of £87m and a forecast budget gap for 2024/25 of £165m (inclusive of that £87m), increasing slightly in future years.
- Compared to the Council's £925m net expenditure for 2023/24, the scale of that is relatively large.
- The problems with Oracle implementation had made the reporting of the 2022/23 and 2023/24 figures more difficult. However, work was being undertaken to get to a position that can be brought to the Committee.
- A Financial Recovery Plan was being developed at speed and there has been an extended period of rigorous spending controls.
- There was a discussion about the role of Scrutiny and the decisions of the Spend Control Board.
- It was recognised that there would be further budget pressures around Adults and Children's services reflecting national trends, inflation, and the revenue impact of providing for Equal Pay financing costs if permission is obtained from Government.
- The Council would then look at additional income and any potential savings that would mitigate that to get to a 2024/25 balanced budget,

The Chief Executive referred to the Full Council Meeting on 25 September and reiterated her commitment to bringing regular reports to O&S for scrutiny at each meeting to demonstrate delivery on the seven elements in the Financial Recovery Plan:

- Measures to reduce spending and mitigate budget pressures for 2023/24, leading to a revised Emergency Budget for 2023/24.
- Organisational Redesign work to reshape our services around citizens and within our available resources, to inform the 2024/25 Budget and deliver a balanced Medium Term Financial Plan (MTFP).
- A Capital Strategy and Assets Review to identify options to raise funds and minimise borrowing costs.
- A review of council-controlled companies and traded services to identify options to raise funds, reduce costs and reduce risk.
- An Income Review to maximise sustainable income from all sources, including Business Rates, Council Tax, Grants and other income.

- Measures to achieve pay equity and stop the growth of our equal pay liability, including work to reduce the value of the potential liability and fund the actual liability.
- Formal dialogue with Department for Levelling Up, Homes and Communities (DLUHC) to explore options for Exceptional Financial Support, including potential capitalisation of revenue liabilities.

During the discussion, and in response to Members' questions, the following were among the main points made:

- The Chair enquired about timeframes and what the options were for O&S involvement.
- In response to a question about timescales and involvement of Overview and Scrutiny, the Committee was informed the Emergency Budget for 2023/24 would be considered in October and the ability to deliver on the in-year savings was important. The Financial Recovery Plan and assets disposal would take longer than the six months leading up to February.
- Concerns were raised regarding the problems caused by the ongoing issues with Oracle making it difficult to project and produce budgets and also 'savings to be identified' being included in the budget with no plan in place.
- Assurance was given regarding the implementation of the Financial Recovery Plan and progressed would be report to Cabinet and then with O&S for scrutiny.
- It was also confirmed that there was a process in place for scrutiny of the 2024/25 budget.
- The Committee was informed of the aim to report the 2022/23 outturn to Cabinet and O&S in November and that the year end position was coming in close to the Period 10 report in terms of the bottom line.
- The Quarter 2 report (to end September) could also be built into the O&S work programme.
- It was reported that Oracle was safe but not compliant in all places and that was one of the first things that would be reviewed with the Commissioners. Compliance was the main issue for Finance. There were still problems with allocation of cash and journal transfers and there was a backlog of transactions that was being moved manually. The bank reconciliation system could not be fixed and a replacement was being considered.
The whole cash position of the Council will balance but the individual directorate reporting may be incorrect as a result of Oracle. It was explained that this caused difficulties producing the outturn.
- The impact of the Oracle issues on schools was a more complex area and a written response would be provided.
- The Committee's request for an asset list was still outstanding. The work on valuations would take time, however a principal list could be shared with the Committee.
- There was a discussion on the use and adequacy of Reserves and Fiona Greenway undertook to produce a note summarising the current position. It was also suggested that the Reserves Policy and Position should be considered in the Committee's work programme.
- In response to a question as to what would be an adequate amount of reserves at the time of budget-setting, the Committee was informed that each Section

151 officer will have a view on the General Fund balance position. For Birmingham, it was around 4½-5% of the net budget (£38million).

- The risks relating to the unearmarked reserves were set in the budget as percentage likelihood within that budget year. The Committee's detailed scrutiny of the budget would help to determine and support the position on unearmarked reserves.
- The Chair made reference to a previous request for O&S to have an observer role in the Spend Control Boards. The Interim Director of Finance (S151 Officer) agreed to discuss this with the Chair and the Chair of Co-ordinating O&S Committee outside of the meeting.
- It was also agreed the Chair would have further discussions with officers outside of the meeting regarding the Committee's work programme and the potential for flexibility around the date of the next meeting to fit in with timelines.
- It was noted that in terms of the involvement of all the O&S committees, information on the 2023/24 savings would be going to each committee and it has been proposed that a Task & Finish Group would be established to consider additional savings and the budget proposals for 2024/25.

RESOLVED:

That:

- The following information be provided to the Committee:
 - List of assets.
 - Written response on the impact of the Oracle issues on schools.
 - Summary of the current position with Reserves
- The Chair would liaise with officers to agree the date of the next meeting.
- The report be noted.

6. MANAGING COUNCIL RISK INCLUDING STRATEGIC RISK REGISTER, BUDGET RISKS AND SAVINGS RISKS

Fiona Greenway, Interim Director of Finance (S151 Officer), and Mohammed Sajid, Interim Head of Financial Strategy, were in attendance for this item.

The Interim Head of Financial Strategy presented the report on behalf of the Assistant Director of Audit and Risk Management, who was unable to attend the meeting. The Committee was informed that this was a summary paper which highlighted where specific documents relating to risk management could be found.

The Chair referred to Appendix B of the Risk Management Update presented to Audit Committee on 19 July 2023 and raised a number of questions. :

SR2.6 Future Financial Resilience – Inherent risk severe, residual risk tolerable – what does that mean? Should this be updated?

SR3.3 Equality representation – is this representation of different types of people within the organisation and how we enable people from different backgrounds to work in the organisation?

SR3.4a Significant disruption to Council services (Business continuity) and failure to effectively maintain critical services – Inherent risk severe, residual risk material - some context or a description of why that is material.

SR4.4 Failure to address Oracle implementation issues – Inherent risk and residual risk are both severe – a summary of how that residual risk is going to change in the future.

SR6.1 Birmingham City Council to be net zero carbon by 2030 and SR6.2 Council aspiration for the City to be net zero carbon by 2030 – in view of the Cabinet decision to approve an incinerator, was this impossible to achieve and should it be taken off the risk register?

SR6.4 Ability to address air pollution – does this take into account the Government's recent action on climate change? What are the potential cost impacts on our approach to reaching net zero and addressing air pollution?

SR7.1 Service Improvement – Residual risk is material but as the Chief Executive has pointed out we are looking at a leaner organisation and a very different council going forward will we be able to efficiently improve services?

SR7.5 Birmingham 2022 Commonwealth Games Legacy Realisation – how can this be down as material considering any potential costs outside of anything ring-fenced (which might not be considered essential spend)?

SR7.6 Supply Chain Disruption – Residual risk is material, should this be raised to severe given potential problems paying suppliers due to Oracle?

It was agreed that these questions would be referred to the Assistant Director of Audit and Risk Management for response.

It was noted that each relevant O&S committee should be looking at risks that related to their remit but it had been useful for the Committee to consider the information to understand the Council's situation at the current time.

RESOLVED:

That:

- The further information requested in relation to Appendix B of the Risk Management Update to Audit Committee on 19 July 2023 be referred to the Assistant Director of Audit and Risk Management, and that a response be provided to the Committee.
- The report be noted.

7. DATE OF THE NEXT MEETING

The date of the next meeting on Thursday 12 October 2023 at 1400 hours was noted. However, as discussed, it was agreed that date would be reviewed.

8. REQUEST(S) FOR CALL IN/COUNCILLOR CALL FOR ACTION/PETITIONS RECEIVED (IF ANY)

None.

9. OTHER URGENT BUSINESS

None.

10. AUTHORITY TO CHAIR AND OFFICERS

RESOLVED:

That in an urgent situation between meetings, the Chair jointly with the relevant Chief Officer, had authority to act on behalf of the Committee.

The meeting ended at 1101 hours.